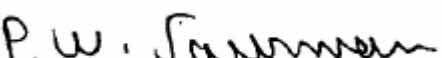


We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)	Telephone Number			
Street Address	City	State	Zip	
Authorized Signature 	Printed Name	License Number		

SOLON TOWNSHIP
Kent County, Michigan

Comprehensive Annual Financial Report

For the year ended March 31, 2006

SOLON TOWNSHIP
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For the year ended March 31, 2006

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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

May 8, 2006

The Township Board
Solon Township
Kent County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major funds and the aggregate remaining fund information of Solon Township (the "Township") as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the elected officials and management of the Township. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major funds and the aggregate remaining fund information of Solon Township as of March 31, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Solon Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountants

Hungerford, Alden, Nichols & Carter, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOLON TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

As management of the Solon Township ("the Township"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2006. We encourage readers to consider the information presented here in conjunction with the Township's financial statements, which immediately follow this section.

Financial Highlights

- The Township's net assets increased by \$64,753 (or 6.4 percent).
- Total expenses of the Township's programs were \$637,163.
- Total revenues, including all program and general revenues, were \$701,916.
- At the close of the current year, the Township's governmental funds reported combined ending fund balances of \$662,540, an increase of \$95,533 over the prior year.
- At the end of the current year, the unreserved/undesignated fund balance for the General Fund was \$611,257, or 99 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected property taxes and earned but uncollected sewer usage fees and special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, roads and parks. The Township has no business-type activities.

The government-wide financial statements can be found on pages 10-11 of this report.

SOLON TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances for the General Fund and Fire Fund, each of which are considered to be major funds. The basic governmental fund financial statements can be found on pages 12-18 of this report.

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Fiduciary funds provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Township's own programs. The accounting used for fiduciary funds is like that used for proprietary funds.

Notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 20-29 of this report.

Government –Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Solon Township, assets exceeded liabilities by \$1,080,208 at the close of the fiscal year.

A substantial portion of the Township's net assets, \$417,758 (39 percent), reflects its investment in capital assets (e.g. land, buildings, equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

SOLON TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

The Statement of Net Assets provides financial information on the Township as a whole as of March 31, 2006.

	<u>2006</u>	<u>2005</u>
Assets		
Current assets	\$ 662,898	\$ 626,442
Capital assets	<u>417,758</u>	<u>448,538</u>
Total Assets	<u>1,080,656</u>	<u>1,074,980</u>
Liabilities		
Current liabilities	<u>448</u>	<u>59,525</u>
Net Assets		
Invested in capital assets	417,758	448,538
Unrestricted	<u>662,450</u>	<u>566,917</u>
Total Net Assets	<u>\$ 1,080,208</u>	<u>\$ 1,015,455</u>

The Statement of Activities presents changes in net assets from operating results for the year ended March 31, 2006:

	<u>2006</u>	<u>2005</u>
Program Revenues		
Charges for services	\$ 172,121	\$ 143,312
Capital grants	9,218	53,980
General Revenues		
Property taxes	148,912	137,108
State/intergovernmental revenue	327,647	327,378
Interest earnings	21,454	10,949
Other	<u>22,564</u>	<u>3,213</u>
Total Revenues	<u>701,916</u>	<u>675,940</u>
Expenses		
General government	236,139	260,545
Public safety	266,601	245,796
Public works	34,384	11,051
Recreational and cultural	38,110	38,775
Other township	<u>61,929</u>	<u>55,654</u>
Total Expenses	<u>637,163</u>	<u>611,821</u>
Increase in net assets	64,753	64,119
Net Assets - Beginning of Year	<u>1,015,455</u>	<u>951,336</u>
Net Assets - End of Year	<u>\$ 1,080,208</u>	<u>\$ 1,015,455</u>

SOLON TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

Governmental activities increased the Township's net assets by \$64,753. Key elements of this increase are as follows:

- Property taxes increased by \$11,804 (9 percent). This increase is a product of new construction in the Township and increased valuations on existing properties.
- Licenses and permits decreased by \$8,159 (8 percent), reflecting a slow down of new construction projects in the Township.
- Capital assets of the Township were unchanged from the previous fiscal year.

Financial Analysis of the Township's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$662,450, an increase of \$95,533 in comparison with the prior year. 100 percent of this total amount constitutes unreserved fund balance, which is available for spending at the Township's discretion.

Solon Township's funds are described as follows:

Major Funds

The *General Fund* is our primary operating fund. The General Fund had total revenues of \$700,611, total expenditures of \$606,383 and \$10,000 in transfers to the Township Fire Fund. It ended the year with a fund balance of \$611,257, up from \$527,029 at March 31, 2005.

The *Fire Fund* receives General Fund contributions and interest earnings in order to set aside monies for future fire vehicle purchases. The Fund had transfers in of \$10,000 and interest earnings of \$1,305. It ended the year with a fund balance of \$51,193, up from \$39,888 at March 31, 2005.

General Fund Budgetary Highlights

Over the course of the year, the Township revised the annual operating budget once at year-end to comply with Michigan Department of Treasury guidelines. The budget amendment was made to reflect the transfer to the Township Fire Special Revenue Fund.

SOLON TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

Capital Asset and Debt Administration

Capital Assets

At March 31, 2006, the Township had a \$752,337 investment in a broad range of capital assets, including land, land improvements, buildings and improvements, vehicles, and furniture and equipment. (More detailed information about capital assets can be found in the notes to basic financial statements.)

Capital asset purchases totaled zero for the fiscal year with accumulated depreciation increasing \$30,780. The net book value of capital assets at March 31, 2006 is detailed as follows:

	Governmental Activities
Land	\$ 100,301
Land improvements	3,250
Buildings and improvements	27,065
Furniture and equipment	84,780
Vehicles	202,362
	<hr/>
Net Capital Assets	<u><u>\$ 417,758</u></u>

Long-Term Debt

The Township had no outstanding long-term debt at either March 31, 2005 or March 31, 2006.

Factors Bearing on the Township's Future

At the time these financial statements were prepared and audited, the Township was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The Township's initial General Fund budget for 2006-07 anticipates an increase in year end fund balance of \$29,842. This estimate reflects limited property tax growth within the Township, continuing reductions in state shared revenues and a continuing effort to control/reduce costs within the Township, while continuing to maintain a high quality of taxpayer service. Expenditures will include \$51,000 for the Township's share of the cost of a new fire vehicle.

Contacting the Township's Financial Management

This financial report is designed to provide the Township's citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Ridout, Township Clerk, Solon Township, 28 East Muskegon, PO Box 275, Cedar Springs, MI, 49330-0275

BASIC FINANCIAL STATEMENTS

SOLON TOWNSHIP
Statement of Net Assets
March 31, 2006

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash equivalents, deposits and investments (Note B)	\$ 587,684
Receivables:	
Taxes (Note C)	11,168
Due from other funds (Note D)	11,032
Due from other governmental units	<u>53,014</u>
Total Current Assets	<u>662,898</u>
Noncurrent Assets	
Capital assets (Note E)	752,337
Less accumulated depreciation	<u>(334,579)</u>
Total Noncurrent Assets	<u>417,758</u>
Total Assets	<u>1,080,656</u>
Liabilities	
Current Liabilities	
Payroll withholdings	<u>448</u>
Net Assets	
Invested in capital assets	417,758
Unrestricted	<u>662,450</u>
Total Net Assets	<u><u>\$ 1,080,208</u></u>

See accompanying notes to basic financial statements.

SOLON TOWNSHIP
Statement of Activities
For the year ended March 31, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Capital Grants	
Governmental activities:				
General government	\$ 236,139	\$ 79,235	\$ -	\$ (156,904)
Public safety	266,601	92,886	-	(173,715)
Public works	34,384	-	9,218	(25,166)
Recreational and cultural	38,110	-	-	(38,110)
Other township	61,929	-	-	(61,929)
Total Governmental Activities	\$ 637,163	\$ 172,121	\$ 9,218	(455,824)
General revenues:				
Property taxes levied for:				
General operations				148,912
State revenue sharing				327,647
Interest earnings				21,454
Other				22,564
Total General Revenues				520,577
Change in Net Assets				64,753
Net Assets - Beginning of Year				1,015,455
Net Assets - End of Year				\$ 1,080,208

See accompanying notes to basic financial statements.

SOLON TOWNSHIP
Balance Sheet
Governmental Funds
March 31, 2006

	<u>General</u>	<u>Special Revenue Fire</u>	<u>Total</u>
Assets			
Cash equivalents, deposits and investments (Note B)	\$ 536,491	\$ 51,193	\$ 587,684
Taxes receivable (Note C)	11,168	-	11,168
Due from other funds (Note D)	11,032	-	11,032
Due from other governmental units	53,014	-	53,014
Total Assets	<u><u>\$ 611,705</u></u>	<u><u>\$ 51,193</u></u>	<u><u>\$ 662,898</u></u>
 Liabilities and Fund Balances			
Liabilities			
Payroll withholdings	<u>\$ 448</u>	<u>\$ -</u>	<u>\$ 448</u>
Fund Balances			
Unreserved:			
Undesignated, reported in:			
General fund	611,257	-	611,257
Special revenue fund	<u>-</u>	<u>51,193</u>	<u>51,193</u>
Total Fund Balances	<u>611,257</u>	<u>51,193</u>	<u>662,450</u>
Total Liabilities and Fund Balances	<u><u>\$ 611,705</u></u>	<u><u>\$ 51,193</u></u>	<u><u>\$ 662,898</u></u>

See accompanying notes to basic financial statements.

SOLON TOWNSHIP
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
March 31, 2006

Total governmental fund balances	\$ 662,450
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$752,377 and accumulated depreciation is \$334,579.

417,758

Total net assets - governmental activities

<u>\$ 1,080,208</u>

See accompanying notes to basic financial statements.

SOLON TOWNSHIP
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended March 31, 2006

	General	Special Revenue Fire	Total
Revenues			
Taxes	\$ 148,912	\$ -	\$ 148,912
Licenses and permits	92,886	-	92,886
Federal sources	9,218	-	9,218
State sources	327,647	-	327,647
Intergovernmental sources	28,566	-	28,566
Charges for services	50,669	-	50,669
Interest and rentals	20,149	1,305	21,454
Other revenue	22,564	-	22,564
Total Revenues	700,611	1,305	701,916
Expenditures			
Current:			
General government	232,029	-	232,029
Public safety	239,931	-	239,931
Public works	34,384	-	34,384
Recreational and cultural	38,110	-	38,110
Other township	61,929	-	61,929
Total Expenditures	606,383	-	606,383
Excess of Revenues Over Expenditures	94,228	1,305	95,533
Other Financing Sources (Uses)			
Transfers in	-	10,000	10,000
Transfers out	(10,000)	-	(10,000)
Total Other Financing Sources (Uses)	(10,000)	10,000	-
Net Change in Fund Balances	84,228	11,305	95,533
Fund Balances, April 1	527,029	39,888	566,917
Fund Balances, March 31	\$ 611,257	\$ 51,193	\$ 662,450

See accompanying notes to basic financial statements.

SOLON TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended March 31, 2006

Net change in fund balances - total governmental funds \$ 95,533

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of these assets is capitalized
and the cost is allocated over their estimated useful lives as deprecia-
tion expense. This is the amount by which depreciation exceeded
capital outlays in the current period:

	Capital outlays	\$ -	
	Depreciation expense	(30,780)	(30,780)
Total changes in net assets - governmental activities		\$ 64,753	\$ 64,753

See accompanying notes to basic financial statements.

SOLON TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2006

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 111,728	\$ 111,728	\$ 148,912	\$ 37,184
Licenses and permits	81,550	81,550	92,886	11,336
Federal sources	100,000	100,000	9,218	(90,782)
State sources	336,524	336,524	327,647	(8,877)
Intergovernmental sources	27,000	27,000	28,566	1,566
Charges for services	32,700	32,700	50,669	17,969
Interest and rentals	3,800	3,800	20,149	16,349
Other revenue	1,850	1,850	22,564	20,714
Total Revenues	695,152	695,152	700,611	5,459
Expenditures				
Current:				
General government:				
Township board	6,250	6,250	5,441	809
Supervisor	21,750	21,750	17,967	3,783
Elections	4,700	4,700	2,865	1,835
Assessor	28,850	28,850	27,027	1,823
Legal and audit	35,000	35,000	30,473	4,527
Clerk	32,350	32,350	30,217	2,133
Board of review	1,300	1,300	647	653
General administration	43,830	43,830	45,190	(1,360)
Treasurer	27,800	27,800	27,105	695
Buildings and grounds	25,100	25,100	25,051	49
Cemetery	20,050	20,050	20,046	4
Total general government	246,980	246,980	232,029	14,951
Public safety:				
Fire	100,400	100,400	100,050	350
Inspections	69,100	69,100	63,643	5,457
Planning	8,100	8,100	5,877	2,223
Zoning	73,200	73,200	70,361	2,839
Total public safety	250,800	250,800	239,931	10,869
Public works:				
Highways, streets and bridges	42,100	42,100	33,971	8,129
Street lighting	500	500	413	87
Total public works	42,600	42,600	34,384	8,216
Recreational and cultural:				
Parks and recreation	3,000	3,000	3,000	-
Library	36,000	36,000	35,110	890
Total recreational and cultural	39,000	39,000	38,110	890
Other township	65,000	65,000	61,929	3,071
Total Expenditures	644,380	644,380	606,383	37,997

(Continued)

SOLON TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2006

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Excess of Revenues Over Expenditures	<u>50,772</u>	<u>50,772</u>	<u>94,228</u>	<u>43,456</u>
Other Financing Sources (Uses)				
Transfers out	<u>-</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>50,772</u>	<u>40,772</u>	<u>84,228</u>	<u>43,456</u>
Fund Balances, April 1	<u>527,029</u>	<u>527,029</u>	<u>527,029</u>	<u>-</u>
Fund Balances, March 31	<u><u>\$ 577,801</u></u>	<u><u>\$ 567,801</u></u>	<u><u>\$ 611,257</u></u>	<u><u>\$ 43,456</u></u>

See accompanying notes to basic financial statements.

SOLON TOWNSHIP
Fire Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2006

	Budget	Actual	Variance- Positive (Negative)
Revenues			
Interest and rentals	\$ 500	\$ 1,305	\$ 805
Expenditures			
Capital outlay	10,000	-	10,000
Excess of Revenues Over Expenditures	(9,500)	1,305	10,805
Other Financing Sources			
Transfers in	10,000	10,000	-
Net Change in Fund Balances	500	11,305	10,805
Fund Balances, April 1	39,888	39,888	-
Fund Balances, March 31	<u>\$ 40,388</u>	<u>\$ 51,193</u>	<u>\$ 10,805</u>

See accompanying notes to basic financial statements.

SOLON TOWNSHIP
Fiduciary Funds
Statement of Fiduciary Net Assets
March 31, 2006

	Agency Funds
	<hr/>
Assets	
Cash equivalents, deposits and investments (Note B)	<u>\$ 80,843</u>
Liabilities	
Due to other funds (Note D)	\$ 11,032
Due to other governmental units	29,212
Escrow deposits	<u>40,599</u>
Total Liabilities	<u>\$ 80,843</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

SOLON TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

Note A – Summary of Significant Accounting Policies

Solon Township was organized as a general law township under applicable laws of the State of Michigan and is governed by a Board of Trustees which consists of a Supervisor, Clerk, Treasurer and two Trustees, each of whom is elected for a four year term of office. The Township provides the following services to its residents as provided by statute: public safety (fire and inspections), highways and streets, cultural, planning and zoning, general administrative and other services.

The financial statements of Solon Township (the “Township”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to Townships. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Township’s accounting policies are described below.

1. The Reporting Entity

The accompanying financial statements present the Township of Solon. The Township has no component units, i.e., entities for which the Township is considered to be financially accountable.

2. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the Township as a whole. The reported information includes all of the nonfiduciary activities of the Township. The Township does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the Township. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The Township does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The Township’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, state revenue sharing, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

SOLON TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

The Township reports the following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund.

The *Fire Special Revenue Fund* accounts for general fund transfers and investment income to be used for capital improvements of the Township Fire Department.

Additionally, the Township reports the following non-major fund types:

The *Trust Account Agency Fund* accounts for the collection of escrow deposits and the payment to the governmental units or other persons entitled to receive these funds.

The *Tax Account Agency Fund* accounts for the collection of current and delinquent property taxes and the payment to the governmental units or other persons entitled to receive these funds.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the government-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Taxes, intergovernmental revenues and interest associated with current period are all considered to susceptible to accrual and have been recognized as revenues of the current fiscal period. Property taxes levied for the subsequent fiscal year are presented as deferred revenue at fiscal year end.

Expenditures are recorded when the liability is incurred, as under accrual accounting, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt and claims and judgments are recorded only when the payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

SOLON TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The General and Special Revenue Funds are subject to legal budgetary accounting controls and are budgeted annually. The Township utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- The budgets are generated with input from the Supervisor, Clerk, Treasurer and the Township Trustees.
- The completed budgets are then presented to Township electors at a public budget hearing in March, at which time taxpayer comments and recommendations are heard. These operating budgets include proposed expenditures and the means of financing them for the General and Special Revenue Funds.
- Prior to April 1, the budgets are legally enacted on a departmental (activity) basis through passage of an appropriations resolution.
- The budget may only be amended by action of the Township Board.
- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- Budget appropriations lapse at fiscal year-end.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act). The budget to actual revenues and expenditures in the financial statements represent the final budget as amended by the Township.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level for each individual fund.

5. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

6. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, vehicles and furniture and equipment, are reported in the government-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$2,500 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

SOLON TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

Land improvements, buildings and improvements, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	15-30 years
Buildings and improvements	25-60 years
Vehicles	5-20 years
Furniture and equipment	5-20 years

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

8. Retirement Plans

The Township maintains two defined contribution retirement plans covering substantially all employees. Elected officials are covered under one plan, to which the Township contributes 15% of covered salaries. Current year contributions to this plan totaled \$10,957. Township appointed officials and employees, including volunteer firemen, are included under a second plan, to which the Township contributes 5% of covered salaries and the employees also contribute 5%. Current year contributions to this plan totaled \$18,625. There is no past service cost associated with either retirement plan.

9. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

11. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as transfers in or out. Transfers between governmental funds are eliminated in the Statement of Activities. Transfers in the fund financial statements are reported as other financing sources/uses.

SOLON TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

12. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school Township in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a Township in Michigan.

Balances at March 31, 2006 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Cash equivalents, deposits and investments per Statement of Net Assets:

Primary government	\$ 587,684
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Cash equivalents, deposits and investments of Fiduciary Funds:

Primary government:

Agency

80,843
<u>\$ 668,527</u>

SOLON TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

Cash Equivalents and Deposits

Cash equivalents consist of bank public funds checking, savings and liquid asset accounts. Deposits consist of certificates of deposit.

Depositories actively used by the Township during the year are detailed as follows:

1. Bank One
2. Choice One Bank
3. Independent Bank

March 31, 2006 balances are detailed as follows:

	Primary Government
Cash equivalents	\$ 344,846
Deposits	323,681
	<u>\$ 668,527</u>

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the Township's deposits may not be returned to the Township. Protection of Township cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the Township's cash equivalents and deposits was \$668,527 and the bank balance was \$690,692. Of the bank balance \$143,877 was covered by federal depository insurance and \$546,815 was uninsured and uncollateralized.

Investments

The Township held no securities defined as investments under GASB Statement No. 40 during, or at the year ended, March 31, 2006.

Custodial Credit Risk and Interest Rate Risk

It is the policy of Solon Township to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to state and local statutes governing the investment of public funds.

The Township's investment policy states that investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of discretion to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

SOLON TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

Funds of Solon Township will be invested in accordance with state and local statutes, and in accordance with the following objectives in order of priority:

Safety: Safety of principal is the foremost objective of the investment program. Investments of Solon Township shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity: Solon Township's investment portfolio will remain sufficiently liquid to enable the Township to meet all operating requirements which might be reasonably anticipated.

Return on Investments: The investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow characteristics of the portfolio.

Safekeeping and Custody: All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by Solon Township shall be conducted on a cash basis (delivery-versus-payment (DVP) basis). Securities will be held by a third party custodian designated by the Township Treasurer and evidenced by safekeeping receipts and determined by the Treasurer.

Foreign Currency Risk

The Township is not authorized to invest in investments which have this type of risk.

Note C – General Property Taxes

Property taxes for the Township and County become due and payable on December 1 of each year. School district taxes are payable July 1 and December 1 of each year, under a split-levy system, pursuant to the Michigan School Code of 1976. All taxes are returned delinquent March 1 of the following year.

Property tax revenues are recognized by the Township in the General Fund in the fiscal year levied, to the extent they are measurable and available. The 2005 property tax roll levied December 1, 2005, represents revenue for the fiscal year ended March 31, 2006.

The Township bills and collects its own taxes in addition to taxes for the State of Michigan, Kent County, Grand Rapids and Montcalm Community Colleges, Kent, Montcalm and Newaygo Intermediate School Districts, Cedar Springs Public Schools, Grant Public Schools, Kent City Community Schools and Tri-County Area Schools. The collection and remittance of taxes are accounted for in the Tax Account Agency Fund.

The Township is permitted by statute (Act 359, Public Acts of 1947, as amended by Public Acts of 1976) to levy up to 1.1 mill of general property taxes on the taxable valuation in the Township. Due to effect of the Headlee Amendment, actual tax levies were reduced to 0.8425 mills for 2005-06 general operations.

SOLON TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

The tax collection record of Township taxes for the past four years is shown in the following summary:

	2005	2004	2003	2002
Township taxes levied	\$ 108,473	\$ 100,526	\$ 92,618	\$ 87,550
Taxes collected:				
Current to March 1	99,490	90,864	83,906	79,172
Total to March 31, 2006	99,490	99,866	91,704	87,188
Percentages of collections:				
Current to March 1	91.72%	90.38%	90.59%	90.43%
Total to March 31, 2006	91.72%	99.34%	99.01%	99.59%

Taxable property in the Township is assessed initially by the assessing official of the Township. These valuations are then equalized by the County and finally by the State of Michigan. Michigan statutes provide that all ad valorem taxes be levied upon State Equalized Valuation. In accordance with Act 409, Public Acts of 1965 and Article IX, Section 3 of the Michigan Constitution, State Equalized Valuation represents 50% of true cash value. The valuations of taxable property in the Township for prior years are compared with 2006 valuations in the following summary:

Year	Real	Personal	Total
2006	\$ 134,219,911	\$ 6,171,800	\$ 140,391,711
2005	121,187,465	6,438,900	127,626,365
2004	112,125,475	6,457,400	118,582,875
2003	102,418,289	6,918,300	109,336,589
2002	94,780,200	6,466,408	101,246,608
2001	85,394,851	5,791,871	91,186,722
2000	75,099,880	4,353,530	79,453,410
1999	74,013,939	5,151,200	79,165,139
1998	67,858,392	4,157,169	72,015,561
1997	61,377,234	3,925,246	65,302,480

Note D – Interfund Receivables/Payables and Transfers

Amounts due from (to) other funds representing interfund receivable and payable balances at March 31, 2006, consisting of interest earnings, are detailed as follows:

	Due From	Due To
General Fund:		
Agency Funds	\$ 11,032	\$ —
Tax Account Agency Fund:		
General Fund	—	11,032
Total All Funds	\$ 11,032	\$ 11,032

SOLON TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

Transfers between funds during the year ended March 31, 2006 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Special Revenue Fund:		
Fire Fund	\$ —	\$ 10,000
Special Revenue Fund		
Fire Fund:		
General Fund	10,000	—
Total All Funds	<u>\$ 10,000</u>	<u>\$ 10,000</u>

The General Fund transfer to the Fire Fund was made to set aside funds to purchase new equipment in the future.

Note E – Capital Assets

Capital asset activity for the year ended March 31, 2006 was as follows:

	<u>Balances</u> <u>April 1, 2005</u>	<u>Additions</u>	<u>Sales/ Retirements</u>	<u>Balances</u> <u>March 31, 2006</u>
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 100,301	\$ —	\$ —	\$ 100,301
Capital assets being depreciated:				
Land improvements	5,000	—	—	5,000
Buildings and improvements	132,800	—	—	132,800
Furniture and equipment	132,496	—	—	132,496
Vehicles	381,740	—	—	381,740
Totals at historical cost	<u>752,337</u>	<u>\$ —</u>	<u>\$ —</u>	<u>752,337</u>
Less accumulated depreciation for:				
Land improvements	\$ 1,500	\$ 250	\$ —	\$ 1,750
Buildings and improvements	103,385	2,350	—	105,735
Furniture and equipment	37,906	9,810	—	47,716
Vehicles	161,008	18,370	—	179,378
Total accumulated depreciation	<u>303,799</u>	<u>\$ 30,780</u>	<u>\$ —</u>	<u>334,579</u>
Net Capital Assets – Governmental Activities	<u>\$ 448,538</u>			<u>\$ 417,758</u>

Depreciation expense was charged to Township activities as follows:

General government	\$ 4,110
Public safety	26,670
	<u>\$ 30,780</u>

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

**SOLON TOWNSHIP
General Fund
Comparative Balance Sheet
March 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	\$ 536,491	\$ 496,795
Taxes receivable	11,168	11,519
Due from other funds	11,032	28,780
Due from other governmental units	<u>53,014</u>	<u>49,460</u>
Total Assets	<u><u>\$ 611,705</u></u>	<u><u>\$ 586,554</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 11,879
Due to other funds	-	2,584
Due to other governmental units	-	39,891
Payroll withholdings	<u>448</u>	<u>5,171</u>
Total Liabilities	<u>448</u>	<u>59,525</u>
Fund Balances		
Unreserved:		
Undesignated	<u>611,257</u>	<u>527,029</u>
Total Liabilities and Fund Balance	<u><u>\$ 611,705</u></u>	<u><u>\$ 586,554</u></u>

SOLON TOWNSHIP
General Fund
Comparative Schedule of Revenues
For the years ended March 31, 2006 and 2005

	2006	2005
Taxes:		
Current property taxes	\$ 107,669	\$ 100,249
Delinquent property taxes	750	13
Trailer fees	2,120	2,071
Penalties and interest on taxes	849	115
Tax administration fees	37,524	34,660
	<u>148,912</u>	<u>137,108</u>
Licenses and permits:		
Cable television fees	31,470	12,118
Contractor registration fees	1,200	2,205
Building permits	18,558	35,323
Electrical permits	20,297	22,904
Mechanical permits	12,243	14,114
Plumbing permits	9,032	14,218
Dog licenses	86	163
	<u>92,886</u>	<u>101,045</u>
Federal sources:		
FEMA grant	9,218	53,980
State sources:		
Sales taxes	320,525	321,153
Metro Act - PA 48	7,122	6,225
	<u>327,647</u>	<u>327,378</u>
Intergovernmental sources:		
Act 425 reimbursement	28,566	27,694
Charges for services:		
Planning commission fees	1,200	-
Zoning and appeals fees	13,797	5,675
Private street application fees	110	-
Summer tax collection fees	18,837	-
School election fees	3,577	-
Grave openings	8,285	5,450
Footings	-	48
Land division fees	1,220	1,100
Sale of cemetery trees and plaques	1,925	-
Sale of cemetery lots	1,200	1,800
Sale of printed materials	518	500
	<u>50,669</u>	<u>14,573</u>
Interest and rentals:		
Interest on deposits and investments	20,149	9,230
Rentals	-	1,200
	<u>20,149</u>	<u>10,430</u>
Other revenue:		
Donations	60	-
Road improvement reimbursements	18,387	1,776
Refunds of expenditures	252	898
Miscellaneous	3,865	539
	<u>22,564</u>	<u>3,213</u>
Total Revenues	<u><u>\$ 700,611</u></u>	<u><u>\$ 675,421</u></u>

SOLON TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2006 and 2005

	2006	2005
Current:		
General government:		
Township board:		
Salaries	\$ 5,355	\$ 6,144
Travel and expenses	86	1,412
	<u>5,441</u>	<u>7,556</u>
Supervisor:		
Salary	16,784	13,617
Health insurance	1,008	-
Travel and expenses	115	740
Dues and memberships	60	-
	<u>17,967</u>	<u>14,357</u>
Elections:		
Salaries	-	4,472
Office supplies	530	3,129
School elections	2,250	-
Travel and expenses	85	225
	<u>2,865</u>	<u>7,826</u>
Assessor:		
Salaries:		
Assessor	23,971	22,043
Deputy	-	659
Office supplies	1,245	1,534
Contracted services	620	-
Travel and expenses	426	496
Education	57	-
Printing and publishing	463	1,388
Dues and memberships	245	250
	<u>27,027</u>	<u>26,370</u>
Legal and audit:		
Legal fees	13,433	29,732
Audit fees	17,040	21,888
	<u>30,473</u>	<u>51,620</u>
Clerk:		
Salaries:		
Clerk	18,208	23,064
Deputy	8,512	11,975
Office supplies	1,833	2,146
Travel and expenses	873	1,838
Printing and publishing	600	965
Dues and memberships	105	195
Miscellaneous	86	65
	<u>30,217</u>	<u>40,248</u>
Board of review:		
Board of review fees	240	1,300
Printing and publishing	342	186
Miscellaneous	65	44
	<u>647</u>	<u>1,530</u>

(Continued)

SOLON TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2006 and 2005

	2006	2005
General administration:		
Clerical salaries	\$ 10,398	\$ 14,326
Employee health insurance	5,921	1,966
Office supplies	6,370	11,223
Postage	438	-
Professional fees	-	342
Travel and expenses	1,022	794
Education	2,759	4,428
Printing and publishing	749	1,736
Dues and memberships	2,491	2,323
Miscellaneous	742	304
Tax refunds	-	83
Furniture and equipment	14,300	13,414
	<u>45,190</u>	<u>50,939</u>
Treasurer:		
Salaries:		
Treasurer	18,208	18,947
Deputy	2,258	8,607
Office supplies	1,172	1,410
Contracted services	800	-
Property tax administration system	3,520	7,874
Travel and expenses	928	1,212
Dues and memberships	155	135
Miscellaneous	64	16
	<u>27,105</u>	<u>38,201</u>
Buildings and grounds:		
Custodial and maintenance salaries	1,080	1,535
Contracted services	3,135	2,350
Travel and expenses	-	78
Utilities	12,197	10,682
Repair and maintenance	3,491	3,123
Capital outlay	5,148	-
	<u>25,051</u>	<u>17,768</u>
Cemetery:		
Cemetery board salaries	100	450
Footings	-	48
Grave openings	8,285	5,450
Utilities	572	413
Repair and maintenance	943	686
Grounds maintenance	6,000	4,000
Miscellaneous	644	30
Land improvement	3,502	-
	<u>20,046</u>	<u>11,077</u>
Total general government	<u>232,029</u>	<u>267,492</u>

(Continued)

SOLON TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2006 and 2005

	2006	2005
Public safety:		
Fire department:		
Salaries:		
Fire chief	\$ 16,180	\$ 13,128
Firefighters	25,423	24,344
Committee	2,045	3,740
Office supplies and expenses	1,227	2,236
Operating supplies	5,476	9,698
Gasoline and oil	3,816	1,886
Medical supplies	1,061	1,155
Physicals	4,655	4,635
Uniforms and gear	7,697	66,949
Travel and expenses	3,165	1,742
Education	6,745	990
Printing and publishing	231	444
Insurance and bonds	-	3,191
Utilities	4,359	4,971
Building maintenance	237	1,106
Equipment maintenance	1,438	1,864
Vehicle maintenance	5,136	3,916
County fire assessment	6,713	5,158
Dues and memberships	885	557
Miscellaneous	151	463
Furniture and equipment	3,410	-
	100,050	152,173
Inspections:		
Salaries:		
Building inspector	17,867	25,483
Mechanical inspector	17,466	20,169
Electrical inspector	10,122	11,396
Plumbing inspector	7,703	8,822
Permit administration	7,719	6,471
Clerical	-	3,967
Office supplies	443	749
Contractor registration	210	640
Contracted services	600	-
Travel and expenses	962	452
Education	314	285
Utilities	5	39
Dues and memberships	175	175
Miscellaneous	57	-
	63,643	78,648
Planning:		
Planning commission	5,095	5,400
Professional fees	-	13,389
Education	175	185
Printing and advertising	607	-
	5,877	18,974

(Continued)

SOLON TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Zoning:		
Salaries:		
Zoning administrator	\$ 12,767	\$ 12,800
Zoning board of appeals	1,215	1,610
Professional fees	3,964	1,961
Legal fees	18,152	14,122
Engineering fees	32,224	-
Travel and expenses	14	73
Education	300	130
Printing and publishing	1,476	694
Miscellaneous	249	-
	<u>70,361</u>	<u>31,390</u>
Total public safety	<u>239,931</u>	<u>281,185</u>
Public works:		
Highways, streets and bridges:		
Road maintenance	25,967	2,569
Dust layer	8,004	7,989
	<u>33,971</u>	<u>10,558</u>
Street lighting:		
Utilities	413	493
	<u>34,384</u>	<u>11,051</u>
Recreational and cultural:		
Parks and recreation:		
Cedar Springs Recreation Department	3,000	3,000
Library:		
Cedar Springs Library	35,110	35,775
Total recreational and cultural	<u>38,110</u>	<u>38,775</u>
Other township:		
Social Security taxes	8,605	11,124
Pension plan contributions	30,264	16,666
Clean-up week	-	8,492
Insurance and bonds	22,112	17,311
Miscellaneous	948	2,061
Total other township	<u>61,929</u>	<u>55,654</u>
Total Expenditures	<u><u>\$ 606,383</u></u>	<u><u>\$ 654,157</u></u>

SPECIAL REVENUE FUND

Fire —to accumulate General Fund contributions and interest earnings to be used for the purchase of Township Fire Department vehicles and equipment.

SOLON TOWNSHIP
Fire Special Revenue Fund
Comparative Balance Sheet
March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	<u>\$ 51,193</u>	<u>\$ 39,888</u>
Liabilities and Fund Balances		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund Balances		
Unreserved:		
Undesignated	<u>51,193</u>	<u>39,888</u>
Total Liabilities and Fund Balances	<u>\$ 51,193</u>	<u>\$ 39,888</u>

SOLON TOWNSHIP
Fire Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Interest and rentals:		
Interest on deposits	<u>\$ 1,305</u>	<u>\$ 519</u>
Expenditures	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>1,305</u>	<u>519</u>
Other Financing Sources		
Transfers in	<u>10,000</u>	<u>5,000</u>
Net Change in Fund Balances	<u>11,305</u>	<u>5,519</u>
Fund Balances, April 1	<u>39,888</u>	<u>34,369</u>
Fund Balances, March 31	<u><u>\$ 51,193</u></u>	<u><u>\$ 39,888</u></u>

AGENCY FUNDS

Trust Account — to account for the collection and safekeeping of escrow deposits and payment to the persons entitled to receive these monies.

Tax Account — to account for the collection of current and delinquent property taxes and dog licenses and payment to the governmental units, funds or other persons entitled to receive these funds.

SOLON TOWNSHIP
Agency Funds
Combining Balance Sheet
March 31, 2006
With comparative totals for March 31, 2005

	Trust Account	Tax Account	Totals	
			2006	2005
Assets				
Cash equivalents, deposits and investments	\$ 40,599	\$ 40,244	\$ 80,843	\$ 63,762
Accounts receivable	-	-	-	5,663
Due from other funds	-	-	-	2,584
Total Assets	<u>\$ 40,599</u>	<u>\$ 40,244</u>	<u>\$ 80,843</u>	<u>\$ 72,009</u>
Liabilities and Fund Balances				
Liabilities				
Escrow deposits	\$ 40,599	\$ -	\$ 40,599	\$ 38,297
Due to other funds	-	11,032	11,032	28,780
Due to other governmental units	-	29,212	29,212	4,932
Total Liabilities	<u>40,599</u>	<u>40,244</u>	<u>80,843</u>	<u>72,009</u>
Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 40,599</u>	<u>\$ 40,244</u>	<u>\$ 80,843</u>	<u>\$ 72,009</u>

SOLON TOWNSHIP
All Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the year ended March 31, 2006

	Balances April 1, 2005	Additions	Deductions	Balances March 31, 2006
<u>Trust Account Fund</u>				
Assets				
Cash equivalents, deposits and investments	\$ 54,318	\$ 64,880	\$ 78,599	\$ 40,599
Accounts receivable	5,663	-	5,663	-
Due from other funds	2,584	-	2,584	-
Total Assets	\$ 62,565	\$ 64,880	\$ 86,846	\$ 40,599
Liabilities				
Escrow deposits	\$ 38,297	\$ 56,633	\$ 54,331	\$ 40,599
Due to other funds	24,268	-	24,268	-
Total Liabilities	\$ 62,565	\$ 56,633	\$ 78,599	\$ 40,599
<u>Tax Account Fund</u>				
Assets				
Cash equivalents, deposits and investments	\$ 9,444	\$ 3,619,661	\$ 3,588,861	\$ 40,244
Liabilities				
Accounts payable	\$ -	\$ 27,111	\$ 27,111	\$ -
Due to other funds	4,512	141,255	134,735	11,032
Due to other governmental units	4,932	3,451,295	3,427,015	29,212
Total Liabilities	\$ 9,444	\$ 3,619,661	\$ 3,588,861	\$ 40,244
<u>Totals - All Agency Funds</u>				
Assets				
Cash equivalents, deposits and investments	\$ 63,762	\$ 3,684,541	\$ 3,667,460	\$ 80,843
Accounts receivable	5,663	-	5,663	-
Due from other funds	2,584	-	2,584	-
Total Assets	\$ 72,009	\$ 3,684,541	\$ 3,675,707	\$ 80,843
Liabilities				
Escrow deposits	38,297	56,633	54,331	40,599
Due to other funds	28,780	141,255	159,003	11,032
Due to other governmental units	4,932	3,451,295	3,427,015	29,212
Total Liabilities	\$ 72,009	\$ 3,649,183	\$ 3,640,349	\$ 80,843

OTHER INFORMATION

SOLON TOWNSHIP
Summary of 2005 Taxes Levied and Collected
For the year ended March 31, 2006

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections</u>
<u>Ad Valorem Taxes</u>					
Kent County					
Operating	\$127,626,365	5.31400	\$ 678,181	\$ 53,152	\$ 625,029
State Education Tax		6.00000			
Cedar Springs Public Schools	102,766,450		616,592	39,601	576,991
Grant Public Schools	66,511		399	-	399
Kent City Community Schools	24,060,193		144,360	10,571	133,789
Tri-County Area Schools	733,211		4,399	-	4,399
Total State Education Tax			765,750	50,172	715,578
School Districts					
Kent Intermediate School District	126,826,643	4.64530	589,135	38,844	550,291
Montcalm Intermediate School District	733,211	2.38220	1,732	-	1,732
Newaygo Intermediate School District	66,511	5.73060	404	-	404
Grand Rapids Community College	126,826,643	1.78650	226,563	14,938	211,625
Montcalm Community College	733,211	2.74860	2,001	-	2,001
Cedar Springs Public Schools:					
Other	102,766,450	7.00000	719,358	46,202	673,156
Operating	21,952,449	18.00000	395,143	50,843	344,300
Grant Public Schools:					
Other	66,511	7.46000	496	-	496
Operating	-	18.00000	-	-	-
Kent City Community Schools:					
Other	24,060,193	9.25000	222,548	19,302	203,246
Operating	3,667,116	17.70840	64,937	5,423	59,514
Tri-County Area Schools:					
Other	733,211	4.69330	2,561	-	2,561
Operating	27,727	17.13920	464	-	464
Total School Districts			2,225,342	175,552	2,049,790
Solon Township					
Operating	127,626,365	0.84250	108,112	8,983	99,129
Special assessments			132	-	132
Tax administration fees			37,750	2,876	34,874
Total Solon Township			145,994	11,859	134,135
Total Ad Valorem Taxes			<u>\$3,815,267</u>	<u>\$290,735</u>	<u>\$3,577,684</u>

(Continued)

SOLON TOWNSHIP
Summary of 2005 Taxes Levied and Collected
For the year ended March 31, 2006

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections</u>
<u>Commercial Forest Taxes</u>					
Kent County	\$ 600	2.65700	\$ 16	\$ -	\$ 16
State Education Tax:					
Kent City Community Schools		3.00000	18	-	18
Kent Intermediate School District		2.32265	11	-	11
Grand Rapids Community College		0.89325	5	-	5
Kent City Community Schools:					
Other		4.62500	75	-	75
Solon Township		0.42125	8	-	8
Total Commercial Forest Taxes			<u>\$ 133</u>	<u>\$ -</u>	<u>\$ 133</u>

Hungerford, Aldrin,
Nichols & Carter, P.C.

C P A s A N D C O N S U L T A N T S

May 8, 2006

The Township Board
Solon Township
Kent County, Michigan

The following comments pertain to our audit of the financial records of Solon Township as of and for the year ended March 31, 2006. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this Statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the Township's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Solon Township.

Auditors Responsibility Under Generally Accepted Auditing Standards

We conducted our audit in accordance with Generally Accepted Auditing Standards (GAAS). Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. We are required by GAAS to obtain a sufficient understanding of the internal control structure to plan the audit and to determine the nature, timing and extent of tests to be performed. The purpose of the audit was to report on the financial statements and not to provide assurance on the internal control structure. Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected.

Significant Accounting Policies

The elected officials and management of Solon Township have the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter will advise the Township elected officials and management about the appropriateness of accounting policies and their application. The significant accounting policies used by Solon Township are described in Note A of the Notes to Basic Financial Statements in the Comprehensive Annual Financial Report.

Difficulties Encountered In Performing The Audit

We encountered no significant difficulties in performing our audit of the financial statements of Solon Township for the year ended March 31, 2006.

Significant Audit Adjustments

During the course of our audit the following adjustments of a significant nature were made to the accounting records of the Township to bring the balances to those presented in the financial statements.

General Fund

1. \$11,168 to accrue year taxes receivable at March 31, 2006.
2. \$11,032 to record the balance due from the Tax Account Agency Fund at March 31, 2006.

Passed Audit Adjustments

There were no adjustments proposed during the audit that were not recorded by Solon Township.

Suggestions And Recommendations

We offered suggestions and recommendations of a minor nature regarding the day-to-day operations of the accounting system to the Township Clerk and Treasurer as the topics arose during the course of our audit field work. Hopefully, these suggestions will ease the day-to-day operations of the Township's business office and assist in more efficient monthly and year end financial record keeping and reporting.

* * * * *

This communication is intended solely for the information and use of the Township Board, officers, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Treasury as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Solon Township and hope to continue to do so in the future. We also appreciate the dedication and cooperation of Solon Township Clerk and Treasurer in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communication, we will be happy to address them.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants